

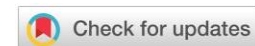
The Impact of Disclosures According to the Administrative Performance Indicator when Implementing IFRS 18 in Iraqi Banking Sector

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ABSTRACT

Keywords:

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The research aims to explore the desire of the Iraqi banking sector's management to implement administrative performance measures (MPMs). It was based on a problem summarized by asking whether the international standard (IFRS 18) would contribute to raising the managerial performance measures (MPMs) of the Iraqi banking sector, once implemented. To prove the research hypothesis, a descriptive analytical approach was used by distributing 100 questionnaires to management and annual report preparers in the Iraqi banking sector. By analysing data from 89 valid questionnaires, with a recovery rate of 89%, the research concluded that it is essential for the subgroup items (operating, investment, and financing) of the income statement to provide indicators measuring administrative performance. Otherwise, they cannot be used as evidence, and their publication may mislead users of financial statements. This conclusion was met with a recommendation that preparers of financial reports, such as explanations and the income statement, should declare the indicators provided by the subgroups of the income statement that are suitable for measuring administrative performance.

ABSTRAK

Penelitian ini bertujuan untuk mengkaji keinginan manajemen sektor perbankan Irak dalam menerapkan ukuran kinerja administratif (MPMs). Penelitian ini didasarkan pada permasalahan yang dirumuskan dengan pertanyaan apakah standar internasional (IFRS 18) akan berkontribusi dalam meningkatkan ukuran kinerja manajerial (MPMs) sektor perbankan Irak, setelah diterapkan. Untuk membuktikan hipotesis penelitian, digunakan pendekatan analitis deskriptif dengan mendistribusikan 100 kuesioner kepada manajemen dan penyusun laporan tahunan di sektor perbankan Irak. Dengan menganalisis data dari 89 kuesioner yang valid, dengan tingkat respons sebesar 89%, penelitian ini menyimpulkan bahwa sangatlah penting bagi pos-pos subkelompok (operasi, investasi, dan pembiayaan) dalam laporan laba rugi untuk menyediakan indikator yang mengukur kinerja administratif. Jika tidak, item-item tersebut tidak dapat digunakan sebagai bukti, dan publikasinya dapat menyesatkan pengguna laporan keuangan. Kesimpulan ini disertai dengan rekomendasi agar penyusun laporan keuangan, seperti catatan penjelasan dan laporan laba

rugi, menyatakan indikator-indikator yang disediakan oleh subkelompok laporan laba rugi yang sesuai untuk mengukur kinerja administratif.

INTRODUCTION

Administrative effectiveness is essential for the sustainability and success of business enterprises. Effective administration enables management to allocate resources efficiently, control costs, manage risks, generate profits, and create value for stakeholders. Therefore, measuring administrative performance using clear and consistent standards is important for evaluating management performance, identifying performance gaps, and facilitating comparisons across periods and companies within the same industry. In the banking sector, the importance of effective performance measurement is even greater because banks manage substantial financial resources and play an important role in financial intermediation and economic development.

The need for transparent and comparable performance information has encouraged the development of IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 introduces defined categories of income and expenses, new subtotals such as operating profit, and improved requirements for aggregation and disaggregation of financial information. The standard also introduces specific disclosure requirements for management-defined performance measures (MPMs), which provide information about how management assesses aspects of an entity's financial performance (IASB, 2024). These requirements are expected to improve the comparability, transparency, and usefulness of financial performance information for investors, creditors, regulators, and other stakeholders.

The implementation of IFRS 18, however, requires more than compliance with new accounting requirements. Financial report preparers need sufficient knowledge, technical skills, organizational support, and appropriate reporting systems to implement the new requirements effectively. Therefore, assessing the readiness of financial report preparers is important, particularly before IFRS 18 becomes effective for annual reporting periods beginning on or after 1 January 2027 (IASB, 2024). In addition, successful implementation depends on management's willingness to adopt new performance measurement practices. Management may view the new requirements as an opportunity to improve transparency and accountability, but may also face challenges related to changes in reporting procedures, systems, and organizational practices.

Another important issue concerns the acceptance of the changes by users of financial statements. IFRS 18 changes how financial performance is presented and explained, including the disclosure of management-defined performance measures. The usefulness of these changes ultimately depends on whether investors, creditors, regulators, and other users can understand and use the new information in their decision-making. Therefore,

management's belief regarding users' acceptance of these changes is also an important aspect of IFRS 18 implementation.

These issues are particularly relevant to the Iraqi banking sector, where effective performance measurement and transparent financial reporting are important for strengthening stakeholder confidence and supporting financial stability. However, limited attention has been given to the organizational readiness and managerial perspectives surrounding the implementation of IFRS 18 in the Iraqi banking sector. Therefore, this study focuses on three main aspects: (1) measuring the readiness of financial report preparers to implement IFRS 18; (2) exploring management's willingness to implement administrative performance measures; and (3) identifying management's beliefs regarding users' acceptance of changes in financial statement presentation and accompanying explanations. The findings are expected to provide useful evidence for banks, regulators, auditors, and other stakeholders in preparing for the effective implementation of IFRS 18.

LITERATURE REVIEW

International Financial Reporting Standard IFRS 18

In 2024, It replaced International Accounting Standard IAS 1, which did not provide a clear basis for presenting financial reports. This, in turn, made it difficult to compare the financial performance of related economic entities (IFRS 18:2025).seeks to enhance the quality and transparency of financial reporting by introducing specific requirements for the presentation of profit and loss information, including specific aggregates and subgroups. Most importantly, it focuses on management performance metrics (MPMs). It also includes new requirements for compiling and classifying financial reports based on the specific role of primary financial reports and notes. IFRS 18 includes three core groups of requirements that aim to provide users of accounting information with efficient and accurate data, enabling them to analyse the financial performance of economic entities and compare it with information from other entities. These can be summarised as follows:

1. Enhancing comparability between income statements.
2. Introducing new requirements to enhance transparency regarding management performance metrics (MPMs).
3. Enhancing improved guidelines to enhance the utility of information aggregation within financial reports (Jehan, 2024: 134).

Table 1: Literature Review on IFRS 18 Disclosures, Management-Defined Performance Measures (MPMs), and Managerial Performance Evaluation (2024–2026)

No	Author(s) & Year	Paper Title	Key Findings & Managerial Implications
1	Czajor, P. (2024)	improve transparency in managerial decisions.	Highlights how mandatory MPM reconciliations reduce executive bias, enhance earnings quality, and improve transparency in managerial decisions.
2	Viana, D. (2026)	<i>What can we expect from IFRS 18 adoption? A critical technical review</i>	Provides a technical assessment of the new income statement categories and evaluates how redefined operating subtotals curb opportunistic reporting.
3	Zainy & Al-Rubaye (2026)	<i>The impact of implementing IFRS 18 on analyzing financial performance and enhancing investment decisions</i>	Demonstrates that standardized MPM disclosures help investors evaluate operational efficiency and strengthen leadership accountability.
4	Nurwulandari et al. (2026)	<i>Operating Profit Redefinition Under IFRS 18: Systematic Literature Review of Implications for Transfer Pricing</i>	Analyzes the impact of mandatory single-note MPM disclosures on management behavior and internal governance controls.
5	Sabauri & Kvatahidze (2025)	<i>Financial Reporting and Measurement of Management Performance (IFRS 18)</i>	Examines how external presentation requirements under IFRS 18 align internal management performance metrics with external audited statements.
6	Chng et al. (2025)	<i>IFRS 18: Management-Defined Performance Measures and Disclosures</i>	Focuses on the required reconciliation between non-GAAP indicators and defined financial subtotals, mitigating asymmetric information.

Source: Processed Data (2026).

Scope of International Financial Reporting Standard (IFRS18)

The scope of the (IFRS18) will include all types of financial reports prepared in accordance with international standards. It will also impact all sectors of economic units subject to international standards. Therefore, one of the two standards will be the (IFRS18), which will focus on presentation, disclosure, and explanations, particularly regarding the impact of these explanations on management performance indicators (MPMs) (Alshaikhli, 2025, 92).

Requirements for implementing (IFRS 18):

The purpose of financial reporting standards in general, and (IFRS 18) in particular, is to provide financial information and reports on the assets, liabilities, equity, income, and expenses of the economic entity preparing the financial reports. Consequently, this entity has a high predictability of the economic entity's future net cash flow. Therefore, we find that implementing (IFRS 18) includes a set of requirements for preparing financial reports, namely (IFRS 18:2025):

- a. Interim financial reports for the reporting period, including the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, supplementary notes, and management performance indicators (MPMs).
- b. Classifying the income statement into operating, investing, and financing categories.
- c. Comparative information for prior periods, as specified by the Financial Reporting Standard.
- d. Economic entities must classify information in the financial reports and supplementary notes based on common and non-common elements, without withholding any information of substantial or relative value (Jehan, 2024, p. 134).
- e. Economic entities must disclose information for prior periods as required by the standard.
- f. Economic entities must describe the elements of the interim financial reports (totals, sections, items) or any disclosures made in the supplementary notes to the financial reports with transparency and truthfulness so that decision makers can accurately understand these elements.
- g. An economic entity may not offset assets, liabilities, expenses, and revenues unless the former is required or permitted under financial reporting standards (Alshaikhli, 2025, 92).

Impact of IFRS 18 on accounting disclosure

It will require economic entities to disclose information about certain generally accepted accounting principles or performance measures, such as adjusted operating profit and loss before interest, depreciation, amortisation, and amortisation, in a single note to the financial statements (IFRS 18:2025).

All Management Performance Measures (MPMs) must be disclosed in a single note, accompanied by explanations of their usefulness, calculation method, and alignment with the most comparable subtotal specified in IFRS 18. The use of generic classifications will require more detailed information from economic entities. Therefore, economic entities must disclose the reason for the change and indicate non-comparable amounts. They must also maintain the presentation, disclosure, and classification of items in financial reports from one period to the next (Chakraorty, 2024), and disclose comparative information for the current and prior periods for all amounts included in financial reports, whether in the body of the interim financial reports or in the supplementary notes. Providing such comparative narrative and descriptive information is essential for understanding current-period financial reports in both the financial statements and the notes. Therefore, when comparative amounts are changed or reclassified, more detailed and different disclosures are required (Al-Shaima, 2024, 956).

Supplementary Explanations

The accompanying notes to the financial statements are an integral part thereof. They are of great importance in helping to understand financial statements and clarifying information that is difficult to include in them. According to international standards, the explanations achieve the following objectives:

1. Providing information on the accounting principles and policies used by the economic entity in preparing the financial reports.
2. Disclosing any information required by that is not included in the income statement, balance sheet, statement of changes in equity, or statement of cash flows.
3. Disclosing any data and information that is not included in the financial statements, but whose publication is considered necessary to provide a fair presentation (Hamidat, 2014, 55).

Management Performance Measures (MPMs)

Many economic entities provide unit-specific metrics. These are management-defined MPMs, often referred to as "alternative performance measures," that relate to the income statement. Users of information find this information useful. However, most entities currently do not provide sufficient information to enable users to understand how these metrics are calculated and how they relate to the required metrics in the income statement. IFRS 18, therefore, requires disclosure of these unit-specific metrics, and the new requirements will improve the discipline and transparency of these metrics (IFRS 18:2025).

Disclosure of Management Performance Measures (MPMs)

Management Performance Measures (MPMs) are a new concept introduced by (IFRS 18). As mentioned above, they are alternative measures, or non-GAAP measures. They represent subtotals of revenues and expenses not defined by IFRS. They are used outside the financial statements to communicate management's view of an aspect of an entity's performance and were previously not specifically required by IFRS. The entity, such as the alternative earnings per share calculation, has introduced alternative measures. Criticisms have been leveled that they do not provide sufficient information on how these measures are calculated and linked to the income statement. Therefore, many entities supplement their IFRS-compliant financial reports with these measures. While users of accounting information find this additional information useful, the current lack of disclosure has resulted in reduced transparency. Some economic units do not provide sufficient information to users of accounting information, making it difficult to understand how to calculate these measures and how they relate to the income statement. This lack of information has limited their usefulness (Barlow & Others, 2024, 9).

Therefore, (IFRS 18) requires that economic entities. If management chooses to use Management Performance Measures (MPMs), they must disclose them in the supplementary notes. This provides users of accounting information with information about the MPMs. The standard also requires a reconciliation between the total and subtotal, as well as the income tax impact on minority or non-controlling interests for each item currently disclosed in the reconciliation. This is done in total form, and any changes must be disclosed and explained. If an economic entity changes the calculation of a performance measure, introduces a new measure, or discontinues using a previous measure, it must disclose the change, discontinuation, or addition, along with the reasons for the change. In general, an economic entity must ensure that any subtotals for income and expenses reflect management's view of the economic entity's overall financial performance. The economic entity will disclose information about its MPMs in a single note to the financial statements. The note will include a statement that the financial performance measures reflect management's view of the economic unit's performance. These supplementary disclosures aim to enhance and manage the transparency and relevance of information related to the calculation of alternative profit measures. Since these notes are part of the financial reports, they will also be subject to external audit, enhancing their quality and transparency (Al-Junaidi, 2024, 126).

IFRS 18:

In 2024, the International Accounting Standards Board (IASB) issued IFRS 18. This standard is specific to the presentation and disclosure of general-purpose financial reports. It replaced International Accounting Standard IAS 1, which did not provide a clear basis for presenting financial reports. This, in turn, made it difficult to compare the financial performance of related economic entities (IFRS 18:2025). (IFRS 18) seeks to enhance the quality and transparency of financial reporting by introducing specific requirements for the presentation of profit and loss information, including specific aggregates and subgroups. Most importantly, it focuses on management performance metrics (MPMs). It also includes new requirements for compiling and classifying financial reports based on the specific role of primary financial reports and notes. IFRS 18 includes three core groups of requirements that aim to provide users of accounting information with efficient and accurate data, enabling them to analyse the financial performance of economic entities and compare it with information from other entities. These can be summarised as follows:

1. Enhancing comparability between income statements.
2. Introducing new requirements to enhance transparency regarding management performance metrics (MPMs).
3. Enhancing improved guidelines to enhance the utility of information aggregation within financial reports (Jehan, 2024: 134).

Table 2: Literature Review on IFRS 18 Disclosures, Management-Defined Performance Measures (MPMs), and Managerial Performance Evaluation (2024–2026)

No	Author(s) & Year	Paper Title	Key Findings & Managerial Implications
1	Czajor, P. (2024)	<i>IFRS 18: Advancing the Relevance and Utility of Financial Statements for Stakeholders</i>	Highlights how mandatory MPM reconciliations reduce executive bias, enhance earnings quality, and improve transparency in managerial decisions.
2	Viana, D. (2026)	<i>What can we expect from IFRS 18 adoption? A critical technical review</i>	Provides a technical assessment of the new income statement categories and evaluates how redefined operating subtotals curb opportunistic reporting.
3	Zainy & Al-Rubaye (2026)	<i>The impact of implementing IFRS 18 on analyzing financial performance and enhancing investment decisions</i>	Demonstrates that standardized MPM disclosures help investors evaluate operational efficiency and strengthen leadership accountability.
4	Nurwulandari et al. (2026)	<i>Operating Profit Redefinition Under IFRS 18: Systematic Literature Review of Implications for Transfer Pricing</i>	Analyzes the impact of mandatory single-note MPM disclosures on management behavior and internal governance controls.
5	Sabauri & Kvatashidze (2025)	<i>Financial Reporting and Measurement of Management Performance (IFRS 18)</i>	Examines how external presentation requirements under IFRS 18 align internal management performance metrics with external audited statements.
6	Chng et al. (2025)	<i>IFRS 18: Management-Defined Performance Measures and Disclosures</i>	Focuses on the required reconciliation between non-GAAP indicators and defined financial subtotals, mitigating asymmetric information.

Source: Processed Data (2026).

Scope of (IFRS18)

The scope of the (IFRS18) will include all types of financial reports prepared in accordance with international standards. It will also impact all sectors of economic units subject to international standards. Therefore, one of the two standards will be the (IFRS18), which will focus on presentation, disclosure, and explanations, particularly regarding the impact of these explanations on management performance indicators (MPMs) (Alshaikhli, 2025, 92).

Requirements for implementing (IFRS 18):

The purpose of financial reporting standards in general, and (IFRS 18) in particular, is to provide financial information and reports on the assets, liabilities, equity, income, and expenses of the economic entity preparing the financial reports. Consequently, this entity has a high predictability of the economic entity's future net cash flow. Therefore, we find that implementing (IFRS 18) includes a set of requirements for preparing financial reports, namely (IFRS 18:2025):

1. Classifying the income statement into operating, investing, and financing categories.

2. Comparative information for prior periods, as specified by the Financial Reporting Standard.
3. Economic entities must classify information in the financial reports and supplementary notes based on common and non-common elements, without withholding any information of substantial or relative value (Jehan, 2024, p. 134).
4. Economic entities must disclose information for prior periods as required by the standard.
5. Economic entities must describe the elements of the interim financial reports (totals, sections, items) or any disclosures made in the supplementary notes to the financial reports with transparency and truthfulness so that decision makers can accurately understand these elements.
6. An economic entity may not offset assets, liabilities, expenses, and revenues unless the former is required or permitted under financial reporting standards (Alshaikhli, 2025, 92).

Impact of IFRS 18 on accounting disclosure

It will require economic entities to disclose information about certain generally accepted accounting principles or performance measures, such as adjusted operating profit and loss before interest, depreciation, amortisation, and amortisation, in a single note to the financial statements (IFRS 18:2025).

All Management Performance Measures (MPMs) must be disclosed in a single note, accompanied by explanations of their usefulness, calculation method, and alignment with the most comparable subtotal specified in IFRS 18. The use of generic classifications will require more detailed information from economic entities. Therefore, economic entities must disclose the reason for the change and indicate non-comparable amounts. They must also maintain the presentation, disclosure, and classification of items in financial reports from one period to the next (Chakraorty, 2024), and disclose comparative information for the current and prior periods for all amounts included in financial reports, whether in the body of the interim financial reports or in the supplementary notes. Providing such comparative narrative and descriptive information is essential for understanding current-period financial reports in both the financial statements and the notes. Therefore, when comparative amounts are changed or reclassified, more detailed and different disclosures are required (Al-Shaima, 2024, 956).

Supplementary Explanations

The accompanying notes to the financial statements are an integral part thereof. They are of great importance in helping to understand financial statements and clarifying information that is difficult to include in them. According to international standards, the explanations achieve the following objectives:

- a. Providing information on the accounting principles and policies used by the economic entity in preparing the financial reports.
- b. Disclosing any information required by that is not included in the income statement, balance sheet, statement of changes in equity, or statement of cash flows.
- c. Disclosing any data and information that is not included in the financial statements, but whose publication is considered necessary to provide a fair presentation (Hamidat, 2014, 55).

Management Performance Measures (MPMs)

Many economic entities provide unit-specific metrics. These are management-defined MPMs, often referred to as "alternative performance measures," that relate to the income statement. Users of information find this information useful. However, most entities currently do not provide sufficient information to enable users to understand how these metrics are calculated and how they relate to the required metrics in the income statement. IFRS 18, therefore, requires disclosure of these unit-specific metrics, and the new requirements will improve the discipline and transparency of these metrics (IFRS 18:2025).

Disclosure of Management Performance Measures (MPMs)

(MPMs) are a new concept introduced by (IFRS 18). As mentioned above, they are alternative measures, or non-GAAP measures. They represent subtotals of revenues and expenses not defined by IFRS. The entity, such as the alternative earnings per share calculation, has introduced alternative measures. Criticisms have been leveled that they do not provide sufficient information. Therefore, many entities supplement their IFRS-compliant financial reports with these measures. While users of accounting information find this additional information useful, the current lack of disclosure has resulted in reduced transparency. Some economic units do not provide sufficient information to users of accounting information, making it difficult to understand how to calculate these measures and how they relate to the income statement. This lack of information has limited their usefulness (Barlow & Others, 2024, 9).

Therefore, (IFRS 18) requires that economic entities. If management chooses to use Management Performance Measures (MPMs), they must disclose them in the supplementary notes. This provides users of accounting information with information about the MPMs. The standard also requires a reconciliation between the total and subtotal, as well as the income tax impact on minority or non-controlling interests for each item currently disclosed in the reconciliation. This is done in total form, and any changes must be disclosed and explained. If an economic entity changes the calculation of a performance measure, introduces a new measure, or discontinues using a previous measure, it must disclose the change, discontinuation, or addition, along with the reasons

for the change. In general, an economic entity must ensure that any subtotals for income and expenses reflect management's view of the economic entity's overall financial performance. The economic entity will disclose information about its MPMs in a single note to the financial statements. The note will include a statement that the financial performance measures reflect management's view of the economic unit's performance. These supplementary disclosures aim to enhance and manage the transparency and relevance of information related to the calculation of alternative profit measures. Since these notes are part of the financial reports, they will also be subject to external audit, enhancing their quality and transparency (Al-Junaidi, 2024, 126).

METHOD

This study employed a descriptive-analytical approach to examine the willingness of management in the Iraqi banking sector to implement Management Performance Measures (MPMs) following the implementation of International Financial Reporting Standard (IFRS) 18. The descriptive-analytical approach was selected to describe respondents' perceptions and analyze the potential contribution of IFRS 18 to improving the use of management performance measures in the Iraqi banking sector.

The population of the study consisted of management and annual report preparers in the Iraqi banking sector, as they are directly involved in the preparation and use of financial reporting information. Primary data were collected through a questionnaire designed in accordance with the research objectives and problem statement. A total of 100 questionnaires were distributed to the targeted respondents. Of these, 89 valid questionnaires were returned and used for analysis, representing a response rate of 89%.

The collected data were analyzed descriptively to examine respondents' perceptions regarding the ability of IFRS 18 to enhance the use of MPMs in the Iraqi banking sector. The analysis focused particularly on the information presented within the operating, investing, and financing categories of the income statement and their potential usefulness as indicators for measuring management performance.

The responses obtained from the 89 valid questionnaires were subsequently evaluated to determine whether the indicators provided by the operating, investing, and financing categories could serve as relevant evidence for assessing management performance. The findings were then used to evaluate the research hypothesis concerning the contribution of IFRS 18 implementation to improving management performance measurement in the Iraqi banking sector.

RESULT AND DISCUSSION

Result

Design of the Questionnaire and Description of the Sample

The research relied on multiple methods to collect data. Data was collected from previous studies, research, literature, and periodicals. The questionnaire was designed to capture the views of management and financial report preparers to build the practical aspect of the research. The researcher divided it into three axes. Each axis included appropriate statements and the ability to measure the research hypotheses. A five-point Likert scale (1-5) was used.

Retrieval Rate

100 questionnaires were distributed to the sample members. After they were completed, collected, and initially examined. The number of valid questionnaires for analysis was 89, with a retrieval rate of 89%. The reason for the high retrieval rate is that the questionnaire was distributed to specialists relevant to the research topic.

Analysis of the Questionnaire

Response Intensity:

Respondents answered Question (1) of the Financial Statements Segmentation and Analysis axis with a score of "Strongly agree" and "Agree" (71%). The question read: "The IFRS 18 standard alone presents the income statement, including the classifications and divisions of items into (operating, financing, and investment)."

Respondents answered Question (5) of the Management's Future Viewpoint axis with a score of "Strongly agree" and "Agree" (70%). The question read: "By focusing on presenting one of the activities (operational, investment, and financing) when presented in the explanations, it reflects the company's future orientation toward it."

Respondents answered Question (5) of the Public Communications axis with a score of "Strongly agree" and "Agree" (72%). The question read: "Public communications include press releases, management comments, and any other unacceptable means of communication or media material. As shown in Table 3:

Table 3. Internal validity of the role of the international standard (IFRS18) in the administrative performance index (MPMs)

Dimension / Sub-variable	N	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Segmentation and analysis of financial statements	1	One standard (IFRS 18) is the method of presenting the income statement, including the classifications and divisions of items into	39 (44%)	32 (36%)	3 (3%)	10 (11%)	5 (5%)

		(operating, financing, and investing).					
	2	In order for the achieved revenues to be considered an indicator for measuring administrative performance, they must be unadjusted.	39	29	9	4	8
			(44%)	(33%)	(10%)	(4%)	(9%)
	3	IFRS 18 provides the analyst with a clear understanding of the main sources of profits.	39	30	5	11	4
			(44%)	(34%)	(6%)	(12%)	(4%)
	4	Subgroup items that do not provide information about an aspect of financial performance cannot be considered a measure of management performance.	39	31	6	9	4
			(44%)	(45%)	(7%)	(10%)	(4%)
	5	IFRS 18 directs management that the disclosures should reflect how management uses them in the decision-making process.	38	29	7	11	4
			(43%)	(33%)	(8%)	(12%)	(4%)
Future Management's Viewpoint	1	The growth strategy adopted by management must be clear in the income statement.	39	28	8	10	4
			(44%)	(32%)	(9%)	(11%)	(4%)
	2	Future growth is reflected through management's view of what it considers core activities.	38	29	4	8	10
			(43%)	(33%)	(4%)	(9%)	(11%)
	3	When management excludes an item from the income	37	28	5	11	8

		statement when presenting it in the notes, it reveals its view of it.	(42%)	(32%)	(6%)	(12%)	(9%)
	4	The standard requires management to be transparent and to reflect its future view quantitatively.	35	28	4	14	8
			(39%)	(32%)	(4%)	(16%)	(9%)
	5	By focusing on presenting one of the activities (operational, investment, or financing) when presenting it in the explanations, it reflects its future direction.	41	29	3	5	10
			(46%)	(33%)	(3%)	(7%)	(11%)
General Communications	1	The standard requires management to organise public communications regarding current and future business results.	38	28	2	12	9
			(43%)	(32%)	(2%)	(14%)	(10%)
	2	To determine the indicators for measuring administrative performance, the content of the public communications presented by the administration must be related exclusively to the reporting period.	37	30	5	9	8
			(42%)	(34%)	(6%)	(10%)	(9%)
	3	Clarity and understandability are among the most important characteristics of information that management must adopt when organising public communications regarding the results of its work.	37	31	4	11	6
			(42%)	(45%)	(4%)	(12%)	(7%)

4	General communications may display a single item from the subtotals and be an acceptable indicator of management performance.	40 (45%)	28 (32%)	2 (2%)	11 (12%)	8 (9%)
5	Public communications include press releases, management comments, and any other communication or media material that cannot be accepted.	41 (46%)	31 (35%)	5 (6%)	9 (10%)	3 (3%)

Internal (structural) Validity:

The correlation coefficients for all questions in the three axes were significant at a significance level of 0.01 and a degree of freedom of 1.87. The strongest correlation coefficients were as follows:

1. Question No. 2 for the financial statements segmentation and analysis axis obtained the highest correlation coefficient, reaching 0.873. The question read: "In order for realised revenues to be considered an indicator for measuring administrative performance, they must be unadjusted."
2. Question No. 4 for the management's future perspective axis obtained the highest correlation coefficient, reaching 0.929. The question read: "The standard requires management to be transparent and to reflect its future perspective quantitatively."
3. Question No. 2 for the public communications axis obtained the highest correlation coefficient. It reached 0.891, and the question read: "To determine administrative performance indicators, the content of public communications presented by the administration must be exclusively related to the reporting period."

Since all questions in the questionnaire's axes are strongly correlated with the total score for each axis, it can be said that the questionnaire has achieved internal validity and is capable of measuring what it was designed to measure. As for the overall values of the correlation coefficients, Table No. (4) can be clarified as follows:

Table 4. Internal Validity Of The Role Of The International Standard (IFRS18) in The Administrative Performance Index (MPMs)

Dimension / Sub-variable	N	Question	Correlation coefficient
Segmentation and analysis of financial statements	1	One standard (IFRS 18) is the presentation of the income statement, including the classification and division of items into (operating, financing, and investing).	0.854**
	2	In order for realised revenues to be considered an indicator of administrative performance, they must be unadjusted.	0.873**
	3	IFRS 18 provides the analyst with a clear understanding of the main sources of profits.	0.803**
	4	Subgroup items that do not provide information about any aspect of financial performance cannot be considered a measure of management performance.	0.811**
	5	IFRS 18 directs management that disclosures should reflect how management uses them in the decision-making process.	0.819**
Future Management's Viewpoint	1	The growth strategy adopted by management must be clearly stated in the income statement.	0.825**
	2	Future growth is reflected through management's view of what it considers core activities.	0.873**
	3	When management excludes an item from the income statement when presenting it in the notes, it reveals its view of it.	0.911**
	4	The standard requires management to be transparent and to reflect its future view quantitatively.	0.929**
	5	By highlighting one of the activities (operational, investment, and financing) in the explanations, the company reflects its future direction toward it.	0.832**
General Communications	1	The standard requires management to organise public communications regarding current and future business results.	0.842**
	2	To determine administrative performance indicators, the content of public communications presented by management must be exclusively relevant to the reporting period.	0.891**
	3	Clarity and understandability are among the most important criteria that management must adopt when organising public communications regarding its business results.	0.882**
	4	General communications may display a single item from the subtotals and is an acceptable indicator for measuring administrative performance.	0.826**
	5	Public communications include press releases, management comments, and any other unacceptable communication or media material.	0.793**

Reliability Measurement:

The overall reliability coefficient for the financial statements segmentation and analysis axis reached 0.889, which is greater than the standard overall reliability

coefficient of 0.6. The lowest reliability coefficient for the axis's questions was obtained by Question No. 2, which reads, "In order for realised revenues to be considered an indicator for measuring administrative performance, they must be unadjusted," and which reached 0.851. This means that if the question is deleted, the reliability coefficient will drop to its lowest score. In other words, Question No. 2 contributed more than the other questions to the overall reliability of the axis.

The overall reliability coefficient for the future management perspective axis reached 0.923, which is greater than the standard overall reliability coefficient of 0.6. The lowest reliability coefficient for the axis questions was achieved by Question No. 4, which reads, "The standard requires management to be transparent and to quantitatively reflect its future perspective," with a score of 0.888. This means that if the question is deleted, the reliability coefficient will drop to its lowest score. In other words, Question No. 4 contributed more than the other questions to the axis's overall reliability.

The overall reliability coefficient for the public communications training axis reached 0.901, which is greater than the standard overall reliability coefficient of 0.6. The lowest reliability coefficient for the axis questions was achieved by Question No. 2, which reads, "To determine administrative performance indicators, the content of public communications presented by management must be exclusively related to the reporting period," with a score of 0.863. This means that if the question is deleted, the reliability coefficient will drop to its lowest score. In other words, Question 2 contributed more than the other questions to the overall reliability of the axis.

Since all questions in the questionnaire's axes have achieved reliability, they will yield the same results if the test is repeated more than once. Table 5) illustrates the values of the overall reliability coefficients and the reliability coefficients for the questions. Now that the questionnaire has achieved validity and reliability, it is therefore suitable for statistical analysis.

Table 5. Reliability coefficient of the role of the international standard (IFRS 18) in the administrative performance index (MPMs)

Dimension / Sub-variable	N	Question	Cronbach's Alpha if Item Deleted	Cronbach's Alpha
Segmentation and analysis of financial statements	1	One standard (IFRS 18) is the presentation of the income statement, including the classification and division of items into (operating, financing, and investing).	0.857	0.889
	2	In order for realised revenues to be considered an indicator of administrative performance, they must be unadjusted.	0.851	
	3	IFRS 18 provides the analyst with a clear understanding of the main sources of profits.	0.875	

	4	Subgroup items that do not provide information about any aspect of financial performance cannot be considered a measure of management performance.	0.871	
	5	IFRS 18 directs management that disclosures should reflect how management uses them in the decision-making process.	0.869	
Future Management's Viewpoint	1	The growth strategy adopted by management must be clearly stated in the income statement.	0.917	0.923
	2	Future growth is reflected through management's view of what it considers core activities.	0.906	
	3	When management excludes an item from the income statement when presenting it in the notes, it reveals its view of it.	0.894	
	4	The standard requires management to be transparent and reflect its future view.	0.888	
	5	By highlighting one of the activities (operational, investment, and financing) in the explanations, the company reflects its future direction toward it.	0.918	
General Communication	1	The standard requires management to organise public communications regarding current and future business results.	0.883	0.901
	2	To determine administrative performance indicators, the content of public communications presented by management must be exclusively relevant to the reporting period.	0.863	
	3	Clarity and understandability are among the most important criteria that management must adopt when organising public communications regarding its business results.	0.866	
	4	General communications may display a single item from the subtotals and is an acceptable indicator for measuring administrative performance.	0.887	
	5	Public communications include press releases, management comments, and any other unacceptable communication or media material.	0.891	

Classroom Statistics:

Question No. (4), which reads, "Subgroup items that do not provide information about any aspect of financial performance cannot be considered a measure of administrative performance," from the Financial Statements Segmentation and Analysis

axis, obtained the highest mean of 4.02 and the lowest standard deviation of 1.153. This resulted in a coefficient of variation of 0.286, the lowest coefficient of variation among the axis's questions. This qualified it to be the first question in terms of relative importance. The difference between the lowest and highest coefficient of variation among the axis's questions was 0.026. This is a very small and insignificant difference, indicating that all the axis's questions are important.

Question No. (1), which reads, "The growth strategy adopted by management must be clear in the income statement," from the Future Management Perspective axis, obtained the highest mean of 3.99 and the lowest standard deviation of 1.182. This resulted in a coefficient of variation of 0.296, the lowest coefficient of variation among the questions in the axis. This qualified it to be the first question in terms of relative importance. The difference between the smallest and largest coefficient of variation among the questions in the axis was (0.065), a very small and insignificant difference. This indicates that all the questions in the axis are important.

Question No. (5), which reads, "Public communications include press releases, management comments, and any other unacceptable means of communication or media material," from the public communications axis, obtained the highest mean of 4.01 and the lowest standard deviation of 1.108. This resulted in a coefficient of variation of 0.24, the lowest coefficient of variation among the questions in the axis. This qualified it to be the first question in terms of relative importance. The difference between the smallest and largest coefficient of variation among the questions in the axis was (0.111), a very small and insignificant difference, indicating that all the questions in the axis are important.

(6) As shown in Table No. (6):

Table 6. Descriptive statistics of the role of the international standard (IFRS 18) in the administrative performance index (MPMs)

Dimension / Sub-variable	N	Question	Arithmetic mean	Standard deviation	Coefficient of variation	Relative importance
Segmentation and analysis Financial statements	1	One standard (IFRS 18) is the presentation of the income statement, including the classification and division of items into (operating, financing, and investing).	4.01	1.201	0.3	4
	2	In order for realised revenues to be considered an indicator of administrative performance, they must be unadjusted.	3.98	1.243	0.312	5
	3	IFRS 18 provides the analyst with a clear	4	1.187	0.297	2

		understanding of the main sources of profits.				
	4	Subgroup items that do not provide information about any aspect of financial performance cannot be considered a measure of management performance.	4.03	1.153	0.286	1
	5	IFRS 18 directs management that disclosures should reflect how management uses them in the decision-making process.	3.97	1.181	0.297	3
Future Management's Viewpoint	1	The growth strategy adopted by management must be clearly stated in the income statement.	3.99	1.182	0.296	1
	2	Future growth is reflected through management's view of what it considers core activities.	3.87	1.368	0.353	4
	3	When management excludes an item from the income statement when presenting it in the notes, it reveals its view of it.	3.84	1.331	0.347	3
	4	The standard requires management to be transparent and to reflect its future view quantitatively.	3.76	1.357	0.361	5
	5	By highlighting one of the activities (operational, investment, and financing) in the explanations, the company reflects its future direction toward it.	3.96	1.339	0.338	2
General communication	1	The standard requires management to organise public communications regarding current and future business results.	3.83	1.275	0.333	2

2	To determine administrative performance indicators, the content of public communications presented by management must be exclusively relevant to the reporting period.	3.89	1.301	0.334	3
3	Clarity and understandability are among the most important criteria that management must adopt when organising public communications regarding its business results.	3.82	1.254	0.338	4
4	General communications may display a single item from the subtotals and is an acceptable indicator for measuring administrative performance.	3.81	1.337	0.351	5
5	Public communications include press releases, management comments, and any other unacceptable communication or media material.	4.1	1.108	0.24	1

Source: Processed Data (2026).

Discussion

The findings indicate that IFRS 18 has an important role in strengthening the measurement and interpretation of management performance through the presentation and disclosure of financial information. The response intensity results show that the majority of respondents expressed agreement with the statements across the three dimensions examined, namely financial statement segmentation and analysis, management's future viewpoint, and general communication. The proportion of respondents selecting “strongly agree” and “agree” reached 71% for the statement concerning the classification of income statement items, 70% for the statement concerning management's future orientation, and 72% for the statement concerning public communications. These findings suggest that respondents perceive IFRS 18 not merely

as an accounting standard governing financial statement presentation, but also as a framework that can improve the usefulness of financial information for evaluating management performance.

The first dimension, segmentation and analysis of financial statements, demonstrates that IFRS 18 is perceived to provide greater clarity regarding the sources and components of financial performance. The descriptive statistics show relatively high mean scores across all five items, ranging from 3.97 to 4.03. The highest mean was recorded for the statement that subgroup items that do not provide information about financial performance cannot be considered measures of management performance, with a mean of 4.03 and a coefficient of variation of 0.286. This result indicates a relatively strong consensus among respondents regarding the importance of distinguishing information that genuinely reflects management performance from information that has limited decision-usefulness. The finding is consistent with the fundamental purpose of IFRS 18, which seeks to improve the structure and comparability of the income statement by introducing defined subtotals and categories. Consequently, clearer classification of operating, investing, and financing activities can facilitate users' assessment of how management generates profits and manages the company's core activities.

The results also demonstrate that the statement concerning IFRS 18's ability to provide analysts with a clear understanding of the main sources of profits received a high mean score of 4.00. This finding reinforces the view that improved financial statement structure can support more meaningful performance analysis. From a management perspective, clearer classification may reduce ambiguity when stakeholders assess operating performance and distinguish it from financing or investing activities. This is particularly relevant to the use of Management Performance Measures (MPMs) because management-defined performance measures should be understood in relation to the financial information presented in the primary financial statements. Therefore, the improved structure of the income statement under IFRS 18 may provide a more appropriate foundation for evaluating whether management's alternative performance measures faithfully represent the company's underlying performance.

The second dimension concerns management's future viewpoint and reveals that respondents generally believe IFRS 18 can enhance the visibility of management's strategic orientation. The highest mean score in this dimension was 3.99 for the statement that the growth strategy adopted by management must be clearly stated in the income statement. This was followed by the statement concerning the presentation of operational, investment, or financing activities as an indication of the company's future direction, which obtained a mean of 3.96. These results suggest that respondents associate financial statement presentation with management's strategic priorities. Financial information is therefore perceived not only as a record of past transactions but also as an important

source of information for understanding management's current priorities and future direction.

The relatively high correlation coefficients within this dimension further strengthen this interpretation. In particular, the statement that the standard requires management to be transparent and quantitatively reflect its future perspective obtained the highest correlation coefficient of 0.929. This indicates a very strong relationship between this item and the overall construct of management's future viewpoint. The finding implies that transparency regarding management's future perspective is considered an important component of the role of IFRS 18 in evaluating management performance. However, the mean score for this item was comparatively lower at 3.76, suggesting that although respondents recognize the importance of quantitative transparency, they may perceive its implementation as more challenging than simply presenting information about current performance. This distinction is important because the effectiveness of IFRS 18 depends not only on the classification of financial information but also on the quality, consistency, and transparency of management disclosures.

The third dimension, general communication, also received positive responses. The highest mean score across this dimension was 4.10 for the statement that public communications include press releases, management comments, and other communication or media materials. This result indicates that respondents consider communication outside the primary financial statements to be an important component of how management conveys information about company performance. Furthermore, the relatively low coefficient of variation of 0.240 indicates a high degree of response consistency. The result suggests that respondents have a relatively similar perception of the importance of public communications in supporting the interpretation of management performance. In the context of IFRS 18 and MPMs, this is particularly significant because users may encounter management performance information not only in the financial statements but also through management commentary, investor communications, and other corporate disclosures.

The internal validity results provide additional support for the robustness of these findings. All questionnaire items demonstrated statistically significant correlations with their respective dimensions at the 0.01 significance level, with correlation coefficients ranging from 0.793 to 0.929. The strongest correlation was found for the statement concerning quantitative transparency of management's future perspective (0.929), followed by the statement concerning the relevance of public communications to the reporting period (0.891). These results indicate that the items adequately represent their respective constructs. In particular, the high correlation between quantitative transparency and the future management perspective suggests that respondents view

transparency as a central mechanism through which financial reporting can communicate management's strategic orientation.

The reliability results further demonstrate that the research instrument has a high level of internal consistency. Cronbach's Alpha coefficients were 0.889 for financial statement segmentation and analysis, 0.923 for management's future viewpoint, and 0.901 for general communication. All values substantially exceed the commonly accepted threshold of 0.70 and indicate that the items within each dimension consistently measure the intended construct. The relatively high reliability is important because the study examines perceptions of a relatively new accounting standard and its implications for management performance measurement. It provides confidence that the observed responses are not driven by inconsistent measurement across questionnaire items.

Taken together, the findings suggest that IFRS 18 can contribute to strengthening the information environment surrounding management performance measurement through three interconnected mechanisms. First, improved segmentation of the income statement provides a clearer basis for analysing operating performance and identifying the sources of profit. Second, greater visibility of management's classification and disclosure choices can provide insights into management's strategic and future orientation. Third, more structured communication can improve the accessibility and interpretability of performance information for external stakeholders. These three mechanisms are complementary rather than independent. Better financial statement presentation provides the quantitative foundation, management disclosures provide strategic context, while public communications facilitate broader interpretation and dissemination of performance information.

Nevertheless, the findings should not be interpreted to mean that IFRS 18 automatically guarantees improved management performance or eliminates information asymmetry. The results measure respondents' perceptions of the role of IFRS 18 rather than the actual economic effects of its implementation. In addition, some items received comparatively lower mean scores, particularly those related to quantitative disclosure of management's future perspective and the exclusion of items from the income statement. This may indicate that the practical application of the standard still requires significant professional judgment. Management must determine which information is relevant, how it should be classified, and how alternative performance measures should be explained without creating misleading impressions. Therefore, the effectiveness of IFRS 18 in supporting MPMs will depend not only on compliance with the standard but also on management's commitment to transparency, consistency, and faithful communication.

Overall, the findings support the proposition that IFRS 18 has the potential to enhance the relevance, transparency, and comparability of information used to assess management performance. The high levels of agreement, strong item-to-construct correlations, and high reliability coefficients collectively demonstrate that respondents

perceive a meaningful relationship between IFRS 18 and management performance measurement. The results particularly emphasize the importance of clear financial statement segmentation, disclosure of management's strategic orientation, and effective public communication. Thus, IFRS 18 can be viewed as more than a technical change in financial statement presentation; it represents an important development in the financial reporting information environment that may improve stakeholders' ability to understand management decisions and evaluate organizational performance.

CONCLUSIONS

It is essential that the subgroups (operating, investing, and financing) of the income statement provide indicators that can measure managerial performance. Otherwise, they cannot be used as evidence, and their publication may be misleading to users of the financial statements. Any adjustment to the value of realised revenues is unacceptably misleading. Furthermore, adjusted revenues, as a subgroup, cannot be considered a measure of managerial performance. The business results achieved and presented in numerical terms in the income statement, in its various aggregates, and in the notes included in the financial reports, reflect management's future perspectives and its strategy to achieve the desired growth. Public communications are defined by the (IFRS 18). Furthermore, the standard requires management to organise the presentation of data and explanations through public communications, including the contents of these explanations, so that they are expressive of business results and do not confuse users.

Preparers of financial reports, including explanations and financial statements, including the income statement, should disclose the indicators provided by the subgroups of the income statement that are suitable for measuring administrative performance. The revenue for any subgroup of the income statement must be unadjusted. Suppose there is a need to adjust revenue and publish an adjusted statement. In that case, this clarification in the financial reports must be binding and approved. Beneficiaries of financial reports should endeavour to understand the message conveyed to them through the figures contained in the income statement, especially since IFRS 18 will seek to ensure that these figures are a true reflection of the business results of economic units. Monitoring public communications by beneficiaries of the data and explanations presented will positively impact all types of decisions made by stakeholders within this economic unit.

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